



GREG SULLIVAN
SR. DISTRICT MANAGER
WASTE MANAGEMENT OF THE FLORIDA KEYS, INC.
125 TOPPINO INDUSTRIAL BLVD.
ROCKLAND KEY, FL 33040
GSullivan@wm.com (305) 296-8297

May 26, 2022

Patti McLauchlin, City Manager
City of Key West
1300 White St,
Key West, Florida 33040

Re: Extraordinary Rate Adjustment Request Due to Unforeseeable Inflation

Dear Ms. McLauchlin:

WM is proud to be your community's service provider, and grateful for your business. WM is also proud of the essential work our frontline collection, recycling, and disposal crews performed throughout the COVID-19 pandemic, and continue to provide to the Key West community, despite difficult and lingering challenges.

Throughout 2021, the U.S. economy has been experiencing the unexpected adverse impacts of inflation caused in large part by an economy re-emerging from COVID-19, but hampered by labor and supply chain constraints. Not since the years immediately following WWII or the late-1970s has the U.S. experienced inflationary price increases at these levels. For WM, disruptions in the supply chain for critical materials and equipment, labor shortages, and significant increases in fuel costs have substantially increased WM's cost to provide services to your community. As just one example, the price of the steel WM needs for solid waste and recycling vehicles and containers has increased more than 150% over the past 12 months. Many economists are projecting continued and worsening labor shortages and upward pressure on labor and critical material costs, and fuel costs have skyrocketed.

We have felt this pain in Key West, perhaps more so than most other areas in South Florida. By way of example, just this month, we increased the housing allowance of all employees, from \$500 to \$750 per month, to remain fully staffed, and that is in addition to recent wage increases.

The details for the request are outlined in the page that follows. Please know that we understand that this is not an easy decision for the City, yet we believe it is a fair and reasonable request during these extremely challenging economic conditions. With your approval of the request, the City will still enjoy the lowest residential rates in Monroe County, and ironically, rates lower than the vast majority of other municipalities throughout South Florida, despite the much higher costs living and of providing service in Key West.

WM is as committed as ever to provide best-in-class service to our customers and the communities we call home. We appreciate your partnership as we address these unusual market conditions.

We look forward to further discussion.

Respectfully,

Greg Sullivan

Greg Sullivan
Sr. District Manager

CC: Kelly Crow, Utilities Director; Jamie Stafford, Solid Waste & Recycling Coordinator, Jason Neal, WM

Extraordinary Rate Adjustment Detail

1. Residential Service Monthly Rate Adjustment Request: \$1.00 per home

As you may recall during the 2021 negotiations, WM sought an adjustment of \$1.60, but the final approved adjustment was only \$0.87 per home. Since that time, costs have skyrocketed further, with no end in sight. The current \$1.00 request is quite nominal, and would result in an increase of only \$12 per year for each home, and still allow Key West residents to enjoy the lowest rate in the area.

(Note: the existing WST would still apply, as this requested adjustment pertains strictly to extraordinary cost increases that are above and beyond the usual “capped” WST/CPI indices.

2. Commercial Service-No Adjustment Requested

Despite significant operating cost increases, we are not seeking a rate adjustment on commercial solid waste collection at this time.

3. Transfer Contract Rate Adjustment Request: Remove CPI/FUEL Adjustment Cap

With fuel costs increasing exponentially, it is clear to see that the existing 5% cap is insufficient to keep up with the unforeseen and worsening fuel costs that directly affect transferring materials out of the City, all the way to the mainland. For this item, all we are seeking is removal of the artificially low cap, so that these extraordinary costs may be recovered to maintain sustainability of the services. At the most recent fuel costs, removal of the cap would equate to approximately \$4 per ton of material transferred.

Follow-Up On Commercial Recycling Processing Fee from 2021 Negotiations

As part of the 2021 renewal negotiations, WM and the City agreed to revisit the proposed commercial recycling fee in 2022, after a composition study. The study was completed in February, showing a 24% contamination rate. Given that the cost of transfer and processing the materials far exceeds the commodity values, we are requesting a fee of \$4.50 per cubic yard on commercial recycling. Please note that, despite significant operating cost increases since our 2021 negotiations, this \$4.50 request is lower than our original 2021 request of \$5.50 per cubic yard. We believe that this request represents a fair and equitable adjustment for all parties.